

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7636

BILL NUMBER: HB 1738

NOTE PREPARED: Feb 26, 2003

BILL AMENDED: Feb 25, 2003

SUBJECT: Various Alcoholic Beverage and Tobacco Matters.

FIRST AUTHOR: Rep. Kuzman

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill limits the deposit of an alcoholic beverage dealer or retailer permit with the Alcohol and Tobacco Commission to three years. The bill reduces the fee for a tobacco sales certificate from \$100 to \$50. The bill increases the supplemental caterer's permit fees and employee permit fees. It establishes a fee of \$10 for a duplicate or reissued permit. The bill provides requirements for the location of the display of alcoholic beverages. It requires tobacco retailers to have certificates to sell tobacco products. The bill authorizes the Alcohol and Tobacco Commission to issue and enforce certificates. It provides that fees collected shall be deposited in the enforcement and administration fund. The bill amends provisions concerning the sale and distribution of tobacco products. It also repeals prohibition on certain tobacco billboard advertisements. The bill also repeals a provision concerning advertising of tobacco products that is preempted by federal law.

Effective Date: July 1, 2003.

Explanation of State Expenditures: (Revised) *Alcohol and Tobacco Commission (ATC):* This bill would require persons wishing to either sell tobacco at retail or through a vending machine to obtain a tobacco sales certificate from the Alcohol and Tobacco Commission for each location where they desire to sell tobacco. Based on adjusted U.S. Census 1997 *Economic Census* data, it is estimated that tobacco products are sold at approximately 14,000 locations statewide. This estimate includes stores, hotels, restaurants, and bars. It does not include vending machines placed in locations other than within these types of establishments.

Depending on the administrative actions taken by the ATC, the Commission could need to hire additional staff to enforce tobacco laws and to process and enforce tobacco retailer permits. The ATC estimates that it processes approximately 10,000 retailer and dealer permits and 50,000 employee permits each year. The

provisions could also require the ATC to hire more excise offices. The Commission currently has 63 excise officers located in six district offices. This provision may also result in an increase in the number of violations cited, which would increase costs associated with court appearances, depositions, and report drafting. The ATC currently has one prosecutor to process violations and appeals related to alcoholic beverages. Funding for additional staff could be provided from the issuance of Tobacco Sales Certificates (see Explanation of State Revenues, below).

Explanation of State Revenues: (Revised) *Tobacco Sales Certificates:* Retailers that sell tobacco products would be required to pay an annual fee of \$50 for the tobacco sales certificate. If 14,000 tobacco retailers apply for a permit, it is estimated that the fee revenue would generate approximately \$700,000 each year. Permit fee revenue would be deposited in the Alcohol and Tobacco Commission's Enforcement and Administration Fund.

Supplemental Catering Permits: The bill increase the fee charged for a supplemental caterer's permit from \$5 per event to \$150 per year. The impact of this change is unknown. Revenue from a supplemental caterer's permit is deposited in the ATC's Excise Fund. One-third of the money in the Excise Fund is deposited in the state General Fund.

Duplication Fee: The bill establishes a \$10 for the duplication or reinsurance of any type of ATC permit. The provision is expected to generate approximately \$40,000 each year. Revenue from the duplication fee would be deposited into the state General Fund.

Employee Permits: The bill increase the biennial fee charged from an ATC employee permit from \$20 to \$30. The increase is expected to generate approximately \$500,000 each year. Employee permit fee revenue is deposited in the ATC's Excise Police Retirement Fund and the ATC Enforcement and Administration Fund.

Youth Tobacco Education and Enforcement Fund: The provisions in the bill could impact the civil penalties received in the Youth Tobacco Education and Enforcement Fund. Under current law, persons cited for distributing tobacco products to minors under 18 are subject to a tiered system of civil penalties depending on the frequency and number of violations. This bill removes the list of fines and simply makes selling the offense of distributing tobacco products to minors a Class C infraction. The maximum fine for a Class C infraction is \$500. All fine revenue would continue to be deposited in the Youth Tobacco and Education Fund.

Penalty Provision: A person who sells tobacco without a tobacco products retailer permit commits a Class B misdemeanor. If additional court cases occur and fines are collected, revenue to both the Common School Fund and the state General Fund would increase. The maximum fine for a Class B misdemeanor is \$1,000. Criminal fines are deposited in the Common School Fund. If the case is filed in a circuit, superior or county court, 70% of the \$120 court fee that is assessed and collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund.

Explanation of Local Expenditures: *Penalty Provision:* A Class B misdemeanor is punishable by up to 180 days in jail. The average daily cost to incarcerate a prisoner in a county jail is approximately \$44.

Explanation of Local Revenues: (Revised) *Supplemental Catering Permits:* The bill changes the fee charged for a supplemental caterer's permit from \$5 per event to \$150 per year. The impact of this provision is unknown. Revenue from a supplemental caterer's permit is deposited in the ATC's Excise Fund. Two-

thirds of the money in the Excise Fund is deposited in the General Funds of cities, towns and counties.

Penalty Provision: If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from the following sources: (1) The county general fund would receive 27% of the \$120 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. (2) A \$3 fee would be assessed and, if collected, would be deposited into the county law enforcement continuing education fund. (3) A \$2 jury fee is assessed and, if collected, would be deposited into the county user fee fund to supplement the compensation of jury members.

State Agencies Affected: Alcohol and Tobacco Commission.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: Mary DePrez, Chairperson, Alcohol and Tobacco Commission, 232-2463; U.S. Census Bureau, *1997 Economic Census*.

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